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France: Integration versus Dualisation

Daniel Clegg

Introduction

In the last two decades of the twentieth century the development of unemployment protection policy in France followed a dualistic logic. While those with longer work records could continue to rely on relatively generous wage-related support if they became unemployed, an increasing number of other workers came to depend on alternative, less generous, provisions, often not designed with the risk of unemployment in mind. Insurance-based and assistance-based benefits for the unemployed were both largely passive, their delivery not strongly articulated with the activities of the Public Employment Services (PES). Since the beginning of the new millennium, however, an emphasis on activation that germinated in the expanding social assistance margins of the French social protection system has gradually gained ground more widely, and has in turn stimulated efforts to reconnect and synchronise provisions for different groups in the unemployed population. While the interests and strategies of powerful policy actors ensure dualistic tendencies remain strongly embedded in French unemployment protection policy, they are thus increasingly challenged by integrative policy logics that are encouraging the development of a more unified benefit-and-service system for all the non-employed.

This chapter traces the conflict between the logics of dualisation and integration in reforms to the regulation of the unemployment risk in France over the last two decades. The argument is organised in three parts. To place later developments in context, section one first describes how France's unemployment and labour market policies were initially restructured in the 1980s in the face of pressures of high unemployment and broader economic change. Section two then analyses the evolution of unemployment protection between 1990 and 2010 in detail, focusing in particular on the three analytical dimensions outlined in the introductory chapter to this volume. A third section offers an explanatory interpretation of the trends observed, emphasising in particular how in the French case the dualistic reform strategy of the 1980s and 1990s in fact sowed the seeds of its own later - though as yet only partial - reversal.

3.1 Organising Labour Shedding: French Labour Market Policies in the 1980s

In France as elsewhere, the early 1980s was a period of slow growth and far-reaching economic restructuring, with unemployment rising extremely fast as vast numbers of workers were made redundant from traditional industries (see statistical annex, tables 3 and 5). The initial response of French governments was to endeavour to redistribute employment opportunities through the reduction of labour supply, especially among older workers. Early retirement benefit schemes had been initiated by conservative governments in the early 1970s, but were vastly expanded by the socialist government elected in 1981 (IGAS, 2004: 156-157). Although driven partly by successive governments, this policy of 'labour shedding' was largely organised and financed through the unemployment insurance system, which was formally under the managerial control of trade unions and employer representatives. Along with fast rising unemployment, the policy contributed to mounting deficits in the dedicated unemployment insurance fund, UNEDIC (*Union nationale interprofessionnelle pour l'emploi dans l'industrie et le commerce*). A major financial crisis was averted in 1979 only by the then conservative government agreeing to subsidise the previously entirely contribution-financed fund out of general taxation. When massive deficits reappeared in 1982, however, the socialist government – on the cusp of its historic 'turn to rigour' – refused to increase the share of the tax subsidy, while the social partners objected to modifying contribution rates to fund measures that they had not themselves decided upon (Clegg, 2005: 159-163).

To find a way out of the budgetary crisis, between 1982 and 1984 the government and the social partners negotiated a new division of labour in the sphere of labour market policy (*ibid*; Clegg and Palier, 2007). The government agreed to relieve UNEDIC of the burden of financing the largest early retirement schemes, the cost of which were fully transferred to the state budget. In 1983 - to honour a pledge included in Mitterrand's election manifesto two years earlier - the state retirement age was also lowered from 65 to 60, freeing UNEDIC of the need to provide unemployment benefits to many older workers. More significantly for present purposes, though, the new division of labour additionally introduced a separation between 'insurance' and 'solidarity' benefits for the unemployed. Insurance benefits would continue to provide earnings-related support for the unemployed, but with entitlement more closely linked to the contribution record of the claimants than in the past. These would be financed

uniquely from social contributions, and regulated through periodic collective agreements negotiated between the social partners and extended by law. Solidarity benefits would for their part provide benefits to those who were not, or were no longer, eligible for insurance as a result of their contribution record or unemployment duration. These benefits were to be financed out of general taxation, and regulated by the state. Through this explicit partition of unemployment insurance (UI) and unemployment assistance (UA), the ‘logic of integration’ that had characterised much of the post-war history of French unemployment protection was thus superseded, under pressure of rising unemployment and mounting costs, by a ‘logic of segmentation’ (Daniel, 2000).

Though the socialist government embraced budgetary rigour after 1983, it fell far short of a fully-fledged neo-liberal conversion. Even the conservative Chirac government elected in 1986 soon toned down its initially bold deregulatory rhetoric when it observed how little appetite there appeared to be for this among the French electorate. Resistance to structural reform, particularly of the labour market, remained high in France throughout the 1980s (Smith, 2004). As a consequence France maintained one of the most regulated labour markets in Europe which, allied to substantial non-wage labour costs and a relatively high minimum wage, tended to impede job creation, particularly in low-skill sectors of the economy (Cahuc and Kramarz, 2005; Malo *et al*, 2000). The social effects of the high unemployment that resulted were cushioned by the continued use of the social protection system for labour shedding, or what in France was more commonly known as the ‘social treatment of unemployment’ (Daguerre and Palier, 2004; see also Levy, 2001; Vail, 2010).

Though French governments gradually ran down tax-funded early retirement measures in the 1980s, these were soon replaced by new schemes managed by the social partners through UNEDIC (see section 3.2 below). As a result early exit continued to grow in France even as it started to stabilise in other European countries (Ebbinghaus, 2006: 105). Unemployment benefits proper played a role in encouraging this too. In UI, age-related eligibility criteria allowed older workers with good contribution records to receive benefits right up to retirement age. In 1984 a mechanism called *dispense de recherche d’emploi* (DRE) was also introduced, freeing

older unemployed people receiving either UI or UA of the need to register with the PES, and therefore ensuring that they were no longer counted in the politically sensitive national unemployment statistics. By 1990 more than 225,000 people received unemployment benefits with a DRE (see Figure 3.3 below).

The desire to massage unemployment figures was also one of the prime motivations behind another popular strategy for the social treatment of unemployment in the 1980s; the vast expansion of job creation schemes. Targeted first at young people and later at the long-term unemployed, a series of special employment programmes were introduced during the decade, providing the unemployed with jobs in the public and para-public sectors on a temporary and usually part-time basis (Erhel, 2009; Meyer, 1999). Initially smaller programmes also existed offering social contribution exemptions to private firms hiring from specific target groups among the unemployed, though these were always more controversial with the trade unions, who saw them as ‘a gift to employers’ and a means of deregulating the labour market by the back door. As such schemes expanded nonetheless, they arguably did tend to gradually undermine the role played by full-time permanent employment paid at minimum wage level in setting the minimum norm for work in low-skill sectors of the labour market, and thus helped legitimise greater use of non-subsidised precarious employment contracts (Castel, 2007).

Although the social protection system expanded vastly in the 1980s to cushion the effects of high unemployment, its net still had holes through which many victims of economic change fell. During the 1980s media attention came to focus more and more on the so called ‘new poor’, a term that covered groups of individuals who were being thrown into poverty as a result of the prolonged economic crisis and an absence of adequate non contributory social protection (Paugam, 1993). The UA scheme introduced for the long-term unemployed in 1984 was of only limited help, as it had contribution conditions that were actually more demanding than those in UI, and which many unemployed people – and especially those previously employed in the growing precarious sector of the labour market - therefore failed to meet.

Francois Mitterrand made the plight of the new poor one of the central themes in his re-election campaign, and pledged to introduce a general, national social assistance

(SA) scheme. Though France had a localised system of discretionary ‘social aid’ and a number of categorical means-tested benefits covering different social risks, there had previously been widespread hostility across the political spectrum to the introduction of a general SA scheme (Belorgey, 1988; Clegg, 2002). Following Mitterrand’s re-election in 1988 the *Revenu Minimum d’Insertion* (RMI) was introduced, providing a means-tested minimum income to all over-25s not in work. The insertion element of the RMI referred to a clause whereby the benefit was in principle paid on the basis of a ‘reciprocal engagement’ by the state and the claimant to take measures to promote the latter’s social or professional integration.

While this may suggest an emphasis on activation, social protection was not – yet – conceived in these terms in France. The insertion requirement in SA was essentially a myth, intended more to legitimise the introduction of generalised social assistance than to actually guide the administrative treatment of minimum income recipients (Clegg and Palier, forthcoming). No recipients of SA were obliged to register with the PES as a condition for receipt of benefit. Unless they benefited from a DRE, recipients of UI and UA were obliged, and in principle also to accept offers of suitable work or face the risk of total suspension of their benefit. Signing-on (*pointage*) was however more a simple bureaucratic requirement than part of an active employment policy, and sanctions were rarely applied (Barbier and Kaufmann, 2007: 109). In UI the principle of benefit being an earned return on contributions paid was strong; the prevailing understanding was that “one contributes to be covered against a risk; when that risk materialises, one must be compensated” (Borgetto, 2009: 1045).

Underscoring the limited emphasis on activation was the traditional lack of any real institutional articulations between the administration of non-employment benefits and the administration of job search and employment policy. Scope for greater co-operation was long limited by the different legal statuses of the organisations that administered French labour market policy (CERC, 2005: 23-25). While the PES was a national structure controlled by the state, UNEDIC was a formally private organisation under the managerial control of the social partners, and entirely financed out of social contributions. As for insertion policies designed for recipients of SA, these were mainly organised on a decentralised level by local authorities, who co-financed them along with the state.

3.2. Re-regulating the risk of unemployment in France, 1990-2010

In 1990 France thus had a three-tiered structure of benefit for unemployed, comprising UI, UA (with separate benefit schemes for the long-term unemployed and labour market entrants) and SA, though the latter was not formally an unemployment benefit. Also defined out of the official scope of unemployment were large numbers of individuals receiving early retirement benefits and those participating in large labour market programmes. None of the systems of benefit provision for the unemployed were closely articulated with the work of PES. The labour market policy administration was characterised by internal divisions resulting from different modes of governance (social partners, state, local authorities) and of financing (social contributions, general taxation, local taxation).

<< Table 3.1 about here >>

Structurally, French labour market policy appears to have changed little between 1990 and 2010. The benefit system in 2010 remained three-tiered, and although unemployment and social assistance benefits had lost some value relative to the minimum wage, overall benefits were paid at broadly similar levels to 20 years ago. A majority of other key institutional parameters are also suggestive of stability rather than transformation (see Table 3.1, most significant formal changes are in bold text). Nonetheless, as this section shows, the last two decades have seen substantial changes in the role and understanding of different unemployment benefits, a gradual strengthening of the conceptual and organisational articulation between active measures and a range of benefits, as well as shifts in the boundaries between active and inactive groups of benefit claimants. In this process, and formal institutional stability notwithstanding, policy logics that were initially perpetuated and even intensified have latterly come to be seriously challenged.

2.1 Benefits: Dualisation and beyond

After a transitory economic boom at the end of the 1980s, at the beginning of the 1990s France experienced a severe recession, plunging UNEDIC into deficit again. In

1992 the social partners responded by negotiating consequential changes in the eligibility and entitlement parameters for UI. The existing UI benefits were replaced with a new single ‘degressive’ benefit (*Allocation Unique Degressive*, AUD), under which the level of benefits was periodically reduced over the course of an unemployment spell, initially at a rate of around 17% every 4 months (and faster for those under-25). The minimum duration of contribution for access to UI was also increased, from 3 to 4 months in the last 8. Finally, the duration of benefit was sharply reduced for those with only 6 months of contributions in the last year, from 15 months for under-50s and 21 months for over-50s to 7 months for the unemployed of all ages. Of the large number of unemployed people who found themselves excluded from UI with the introduction of AUD - beneficiary rates declined sharply after the reform (see Figure 3.1) – a disproportionate number were younger people and those previously employed on fixed term contracts (Daniel and Tuchsirer, 1999: 307).

<< Figure 3.1 about here >>

This reform and its further tightening in 1993 had a spectacular effect on UNEDIC’s finances, which were in surplus by 8.7 billion FF in 1993 and 22.4 billion FF by 1995, even though unemployment had continued to rise up the end of 1993 and had remained stable thereafter (see statistical annex, table 5). Rather than repairing all the cuts introduced in 1992, however, in their subsequent negotiations on UI the social partners agreed a series of changes that mainly improved the situation of those *already* eligible for benefit (*ibid*: 306; see also Annex 3.1). In 1995 a new early retirement benefit was introduced, open to those with 40 years of contributions and meeting certain age conditions. The following year, instead of extending benefit duration or relaxing contributory requirements, the new collective agreement instead slightly improved replacement rates and slowed down the application of the degressivity mechanism, which now operated every six months instead of every four. In 1999 the beneficiary rate of UI actually reached its lowest ever level, at 42.1%.

For many of those excluded from UI as a result of these parametric choices, UA offered little help. The scheme for labour market entrants (*Allocation d’Insertion*, AI) was closed-off to its main group of beneficiaries – young people – in 1991, the then socialist government deeming that it was preferable for young unemployed people to

be enrolled in more active labour market measures. The number of beneficiaries fell by 75%, or around 100,000 people, between 1990 and 1992¹. As for the UA scheme for the long-term unemployed (*Allocation Spécifique de Solidarité*, ASS), it as mentioned had rather stricter contribution requirements than UI, demanding 5 years of contributions in the last 10. Though in 1992 the social affairs inspectorate warned of the risk of a “very serious social regression” if these were not relaxed (IGAS, 1992), the government paid no heed. In fact, contribution requirements were further strengthened in 1997², when the means test was also made stricter.

Although the number of special employment measures was expanded and diversified in the early 1990s – the stock of people in the main public sector scheme, CES, increased from 150,000 in 1989 to 350,000 in 1993 (Meyer, 1999: 86) – many of the unemployed were therefore left with no source of income, and forced to fall back on the still relatively new SA scheme. It was into SA, rather than UA, that the majority of the needy unemployed no longer eligible for UI were transferred (Figure 3.2).

<< Figure 3.2 about here >>

Largely as a result of this, the SA caseload more than doubled between 1990 and 1995, and continued to grow rapidly up to the turn of the millennium. One consequence was that the profile of the beneficiaries of SA quickly diverged from the image of the ‘socially excluded’ that had been very present at the time of the introduction of the RMI. In reality the new entrants were increasingly young and socially integrated, but out of work (Clary, 1995; Cordazzo, 2003). Another consequence, more widely debated, was the growing cost of the tax-financed RMI: while 5 billion French Francs (€0.76 billion) were allocated from the state budget for the new scheme in 1989, the cost had more than quadrupled to 21.4 billion FF (€3.26 billion) by the time of the 1997 budget (Lafore, 1996).

The main dynamic in French unemployment benefit reforms in the 1990s was thus a sort of dualisation in provision (cf. Clegg, 2007; Palier, 2010); on the one hand there

¹ In 2006 AI was replaced by the temporary waiting allowance (*Allocation Temporaire d’Attente*, ATA), the main beneficiaries of which are asylum seekers and those coming out of prison.

² Instead of 5 years contributions, it was henceforth necessary to have actually worked for 5 years; periods of e.g. insured unemployment for which contributions were paid were thus no longer counted.

was an increasingly ‘exclusive’ UI system, paying still relatively generous earnings-related benefits to those with better contribution records, on the other SA for those who could not qualify for UI and had low incomes. In between UA continued to exist, but was allowed to atrophy. Only the UA scheme for the long-term unemployed was of any quantitative significance by the end of 1990s, but its restrictive contribution conditions meant that it was a scheme that was largely reserved for unemployed people aged 50 and above (Gilles and Loisy, 2005)³.

This developmental dynamic was partially arrested in the early 2000s, when beneficiary rates for UI recovered substantially, and reliance on SA declined concomitantly. Between December 1999 and December 2003, UI beneficiary rates increased by around 12% (cf. Figure 3.1), while the SA caseload fell for the first time since the introduction of the RMI in 1988 (cf. Figure 3.2). Part of the reason for this was the effect of the period of strong employment growth from the late 1990s, which had an automatic entitlement effect in UI. But part was also a result of changes in the eligibility and entitlement parameters of UI agreed in 2001. This was the year when a generalised system of activation was introduced into UI for the first time, on the back of proposals put forward by the employers’ association (see below). To leverage the agreement of at least some of the trade union confederations for this activation principle, however, the employers agreed to a relaxation of the restrictive measures that had been introduced over the previous decade. Minimum contribution conditions were substantially reduced – from 4 months of contribution in the previous 8 to 4 months in the previous 18 - and the degressivity mechanism scrapped altogether. As a result of the first measure in particular, ‘bad contributors’ (*les précaires*) were for the first time in a decade the major winners in a parametric reform of UI.

<< Table 3.2 about here >>

The social partners partially retreated from this new concern for opening UI to less good contributors in the mid-2000s, only to return to it at the end of the decade, this time in a rapidly worsening employment context (see Table 3.2). As a result of the

³ The conservative Raffarin government in fact attempted to limit the maximum duration of ASS receipt to 2 years in 2003, but this measure was withdrawn by President Chirac following his party’s poor showing in local elections in early 2004.

combined effects of rising unemployment, the relatively disappointing results of the activation measures introduced in 2001, and an imbalance between the extensions to benefits and reductions in UI contribution rates decided in the previous collective agreement, UNEDIC found itself facing yet another difficult budgetary situation by the 2003. The agreements of 2004 and then 2006 responded by altogether removing the bottom tier of entitlement for UI; henceforth only those who had contributed for at least 6 months, albeit in a still lengthy reference period of 22 months, could access UI. In these reforms, however, the cuts were more equally shared than in 1992; the duration of benefits was reduced from 30 months (or 45 for over-50s) to 23 months for those with contribution records of 14 months in the last two years, and from 45 months to 36 months for over-50s with 27 months of contributions in the last 3 years. From 2009, moreover, provided an individual has worked a minimum of 4 months in the last two years, the duration of benefit payment is strictly equal to the duration of contribution before entering employment, up to a maximum 25 months for under-50s and 36 months for over-50s. The biggest winners in this reform were those with 4 or 5 month contribution records; the biggest losers those with between contribution records of between 16 and 22 months for under-25s and between 27 and 35 months for over 50s (Cornilleu and Elbaum, 2009).

Reforms of UI in France are chronically pro-cyclical; because the social partners' ability to balance their budget is the guarantor of the long-term viability of the autonomous system that both the unions and employers support, incentives are strong for them to cut benefits back in periods of rising unemployment, and increase them as unemployment declines (*ibid.*). This pattern held across the period between 1990 and 2010; what varied was the distribution of costs and benefits during the periods of belt-tightening and expansion respectively. In the early 1990s it was above all 'bad contributors' who saw their already minimal benefit entitlements cut when times were tough; but by the late 2000s it is those with better levels of protection on whom the biggest losses are being imposed.

2.2 From insertion to activation

It was in SA that the concern with the development of more vigorous policies for reintegrating claimants of non-employment benefits back into the labour market

developed first in France. As described above, the introduction of a general SA scheme in 1988 had been accompanied with an essentially rhetorical requirement for benefit to be articulated with measures of social or professional reinsertion. Unsurprisingly, early evaluations of the new SA showed that this aspect of the scheme functioned poorly (Vanlerenberghe, 1992). Very few claimants signed, or were even made aware of, insertion contracts (Lefèvre and Zoyem, 1999). Even as the profile of SA claimants changed due to reforms in unemployment benefit, insertion measures that were organised remained most often related to social, rather than professional, insertion, focusing on issues such as health and housing (Castrat, 2003). And claimants often reported that the signature of an insertion contract had not been helpful to them, especially when it focused on reintegration in work (Zoyem, 2001).

By the late 1990s, however, the succession of negative evaluations – as well as the growing size and cost of a scheme that was originally intended to be marginal – resulted in pressure for reform of the insertion dimension of SA (Clegg and Palier, forthcoming). First, under the socialist-led Jospin government in 1998, the possibilities to cumulate receipt of SA with income from work for a limited period were considerably extended, amidst a growing concern about the disincentives to work facing recipients of SA and the more general need to ‘make work pay’ in a labour market characterised by a growing number of temporary and part-time jobs⁴. Then, in 2004 and with the conservatives back in office, a reform of the SA scheme greatly increased the emphasis on professional relative to social forms of insertion activity for claimants (Lafore, 2004: 25), and introduced a new special employment contract specifically reserved for SA recipients. The same reform also decentralised the financing and administration of SA to local authorities. Though SA was largely caught up in the general decentralising ardour of the Raffarin government, a supplementary argument was that with the costs of benefit provision falling on local authorities, they would have incentives to organise more energetic and work-focused insertion activities.

By this time, an emphasis on the articulation between benefit provision and support for return to the labour market had begun to characterise debates around UI too. In

⁴ Attesting to the same preoccupation, the socialist government introduced a work-conditioned negative income tax in 2001, the *Prime pour l'emploi* (PPE).

2000 the employers association - largely in response to the Socialist-led government's high profile legislation on the 35-hour working week, and in the context of a shift in power between different federations within the main employers' confederation (see section 3.3, below) - launched an ambitious structural reform agenda called the *réfondation sociale*, in which the thoroughgoing activation of unemployment benefits was a showpiece proposal. Ostensibly designed to embarrass the government, the employers' strategy also directly menaced the survival of the social partner managed UNEDIC, which the employers threatened to suspend their participation in if negotiations over their reform projects were not successfully concluded. Largely to head off this risk (Freyssinet, 2002), but also in return for some concessions on the generosity of benefits (see above), a number of the unions reached agreement with the employers over a new UI system. From 2001 the main UI benefit was as a result recast as a 'return to work benefit' (*allocation de retour à l'emploi* – ARE), and eligibility was henceforth conditioned not only on the payment of contributions but also on claimants signing and respecting an individualised project for help with the return to work (*plan d'aide au retour à l'emploi*, PARE).

At the demand of the government, who were concerned about the possible emergence of parallel employment service networks for the insured and other jobseekers, responsibility for the implementation and monitoring of the PARE was ultimately vested in the PES rather than in UNEDIC, as the social partners had originally planned. The local offices of the UI system continued to deliver benefits separately from placement services and the administration of employment policy instruments. Criticisms were soon voiced as to the impact of this multi-agency delivery structure on the effectiveness of the new activation policy (Cour des Comptes, 2006; Marimbert, 2004), and the old idea of a merger between the PES and UNEDIC gradually returned to the top of the policy agenda. After a number of years of experimentations with more-or-less effective 'reinforced co-operations' between the local-level offices of the two organisations (Vericel, 2006), the merger was finally implemented in February 2008, 9 months after the election of Nicolas Sarkozy – who had pledged this reform in his manifesto – as President. Though out of a concession to the social partners the UI system was not totally absorbed by the state-run PES – the social partners retaining notably responsibility for fixing the eligibility and entitlement parameters of UI through collective agreements – the new state-run *Pôle*

Emploi is now responsible for the integrated delivery of unemployment benefits, placement services and employment policies (Willmann, 2009). This reform considerably weakened the organisational strength of UNEDIC, which henceforth has between 100 and 200 employees nationwide as opposed to around 14,000 previously.

The period since the election of Sarkozy has seen the activation emphasis in French labour market policy considerably emphasised in other respects, too. In August 2008 a new ‘law on the rights and responsibilities of jobseekers’ was adopted (Rousseau, 2009). With limited emphasis on the rights of jobseekers – which in any case remain formally a prerogative of the social partners, at least as far as UI is concerned – the law reformed both the definition of reasonable work offers that jobseekers are required to accept and the regime of sanctions that can be imposed if they fail to do so, or more generally do not comply with the terms of their jobseekers’ agreement, now known as the ‘Personalised Project for Access to Employment’. In respect of both reasonable work definitions and the sanction regime the legislation represented less a tightening of rules than a greater specification and diversification of them, based on the understanding that it was the bluntness of pre-existing rules that led to them being routinely ignored in administrative practice. For example, where previously the only administrative sanction was total eviction from the jobseekers register resulting in complete suspension of benefits for those obliged to sign on, the new sanction regime allows the possibility for partial and/or temporary reductions in benefit entitlements for those failing to discharge their responsibilities as jobseekers.

Since July 2009, this regime also applies to the vast majority of SA claimants. This follows from a reform of SA that replaced the pre-existing RMI with a new Active Solidarity Income (*Revenu de Solidarité Active*, RSA). The most high profile aspect of the RSA is that SA in France can henceforth be received either as an out-of-work benefit (*‘RSA socle’*) or in-work, as a permanent subsidy to low-paying employment (*‘RSA activité’*). The reform was explicitly focused on trying to help the situation of the working poor, and in so-doing on increasing the differential between incomes for those in and out of work – but with the obvious risk of encouraging the further expansion of part-time and temporary work (Lafore, 2009). But the RSA also substantially strengthened the activation emphasis in SA for those out of the labour market (Clegg and Palier, forthcoming). The reform established an even clearer

hierarchy between professional and social forms of insertion activity in which all SA claimants should be engaged; social forms of insertion should henceforth be clearly reserved for the minority of beneficiaries with such serious problems that they could not immediately consider a return to work-related activity of any kind, and should then explicitly be a first step in a process ultimately leading to professional insertion. Furthermore, professional insertion for SA claimants will not, as in the past, be organised independently of other employment policies; instead, the majority of recipients of the RSA will now be obliged to register as jobseekers and to sign a PPAE specifying their rights and responsibilities, as for any other jobseeker.

The reform that introduced the RSA also substantially streamlined France's battery of special employment measures; in place of a range of measures managed by different administrations and targeted on different (if partially overlapping) groups of benefit claimants, there will now be a single insertion contract (*contrat unique d'insertion*) that can be used to support the return-to-work of all jobseekers, irrespective of their benefit status. Having become considerably more active since the late 1990s, French policies towards the unemployed have thus in the late 2000s become – at least in their active dimensions - significantly more integrated too.

2.3 Exit routes: from cheapening to closure

A further implication of the new SA scheme introduced in 2009 was a considerably expanded definition of those who are considered as jobseekers, and are subject to the obligation to look for work. Under the RMI registration at the PES was voluntary; with the RSA it became obligatory for all but a very small minority of SA claimants. Furthermore, the RSA replaced not only the RMI but also the means-tested benefit for single parents, *Allocation de Parent Isolé*. Most of the 200,000 beneficiaries of this scheme are also now required to actively seek work. The RSA is also far more explicit than the RMI it replaced that obligations to seek work apply to all working-age members of the claimant household. Finally, it is not merely those out of work who are required to actively seek employment; recipients of the RSA-*activité* with low pre-transfer incomes from work must, theoretically, remain in contact with the PES and demonstrate that they are taking steps to find more work (Clegg and Palier, forthcoming).

This expansion was rendered possible by the adoption from 2009 of a new procedure for tracking the unemployment rate. Where previously the national unemployment rate was based on a combination of the national labour force survey and the jobseekers' register, reconciled according to a statistical adjustment procedure (*calage*), the politically sensitive monthly unemployment rate is now based only the former. This change was justified on technical grounds, by the increasing difficulty of using the two sources due to growing discrepancies between them. But it also meant that "the public authorities are now free to take in hand people 'encountering employment difficulties' without fear that measures taken to increase the employment rate will lead to an aggravation of the unemployment statistics" (Rousseau, 2009: 1104).

The broader concern for bringing people back into the labour market and closing off 'exit routes' in the benefit system had however been building up for some time. Despite France having a legal retirement age of 60 up until 2010, around 300,000 people were still benefiting from early retirement measures in 1990 (IRES, 2004), and early retirement was further expanded in response to the recession of the early 1990s. Thereafter governments tried to run down use of these instruments, mainly for fiscal consolidation reasons. Even then their attempts were partially counteracted by the decisions of the social partners, who used the UI system to keep a certain number of exit routes open. For example, the ARPE (*Allocation de remplacement pour l'emploi*) early retirement scheme - contribution-financed and managed through UNEDIC - was introduced in late 1995, and grew up to a peak of 100,000 beneficiaries in 2000.

<< Figure 3.3 about here >>

Since the turn of the millennium early retirement measures of all kinds (tax- and contribution-financed) have declined steadily, irrespective of the employment context. Initially, however, the driver of reform appeared to be less that of closing off exist routes out of the labour market than of making labour shedding cheaper by subsidising it less generously. Accordingly, from around the time that numbers of early retirement pensions began their steady decline, the number of DRE for those on unemployment benefits began to climb just as rapidly (cf. Figure 3.3). By 2006 there

were more than 400,000 people in receipt of unemployment benefits, but not obliged to register with the PES and not, therefore, counted among the unemployed. This ensured that even though numbers of early retirement benefits fell in the 2000s, France's activity rates among over-55s remained among the lowest in Europe (see statistical annex, table 7).

The law on the rights and responsibilities of jobseekers in 2008 marked a break with this policy. It legislated for the progressive suppression of DRE; though those who currently benefit from the measure will not be brought back into the labour market, the age at which it is possible to have a DRE will be gradually raised until 2012, when the measure will be formally withdrawn to new entrants. In parallel, the government has also promised that extra resources will be guaranteed to the PES to provide 'reinforced support' for over-50s seeking work.

3. From dualisation to triple integration? Understanding change in French labour market policy

As the preceding discussion has shown, there has been considerable change in French labour market policy, and in the regulation of the risk of unemployment, since 1990. Across the period as a whole, however, two rather contradictory trends are visible (see Table 3.3). Up to at least the end of the 1990s, the main dynamic of change was towards the dualisation of policies for the non-employed. Reforms in benefits created an ever-sharper distinction between insurance-based provision for good contributors and general assistance for those with weaker labour market attachment; the intervening benefit tier of UA atrophied. The definition of unemployment as a risk category focused ever more narrowly on core workers in receipt of UI, with other groups of workers coming to rely on benefits without a formal link to employment. And even when activation policies developed, they did so initially in a dualised form, with different arrangements for SA claimants on the one-hand and UI recipients on the other, and without the PES having strong linkages to either of the main benefit systems for the non-employed.

<< Table 3.3 about here >>

During the 2000s, however, this dualising tendency in French labour market policy was increasingly challenged, and by the end of the decade reforms had been adopted that were suggestive of its at least partial reversal across all the policy dimensions considered here. The 2009 UI agreement thus relaxed the contributory conditions for benefit, confirming a still tentative retreat from the specialisation between insurance and assistance that was first hinted at by reforms in the early 2000s. A series of reforms in 2008 and 2009 also partially reconnected and considerably rationalised the labour market policy administration, with *Pôle Emploi* now delivering both benefits and labour market services to UI claimants, as well as organising the professional insertion of SA recipients, on the basis of a universal set of job search rules that apply all jobseekers. And these changes also drew SA claimants and single-parents back into the formal category of jobseekers, which will be further enlarged by the closure that is underway of exit routes out of the labour market for older workers.

How can these patterns of policy change be accounted for? Much of the dualistic dynamic in policy development up to the late 1990s can be explained by the exceptionally strong regulatory role of the social partners in French UI, which as mentioned is – uniquely for a basic unemployment insurance scheme – governed through periodic collective agreements at the national level. Condemned by common organisational interests to find a mutually acceptable way of adapting this institutional arrangement to cost pressures, the employers' associations and the unions repeatedly found common cause in status-maintaining recalibrations that mainly benefited their core constituencies of large manufacturing firms and well-integrated older workers respectively. The limited legitimacy of French governments to intervene decisively to enforce alternative policy directions in unemployment protection was only compounded by the dynamics of partisan competition, which meant the social partners could always rely on the support of the Parliamentary opposition for attempts to head off any 'statist takeover' of their regulatory prerogatives in this area. In this context, governments concerned about issues of social cohesion could at best temper dualistic policy adjustment at the margins, for which their main instrument was the development of subsidised employment contracts for particularly disadvantaged groups in the labour market (Clegg, 2005).

While Palier and Thelen (2010) see the dualisation of policies for the unemployed as a structural feature of the adjustment of the coordinated market economies of continental European countries to enhanced competitive pressures, it was thus particularly pronounced in the French case as a result of the institutional configuration of unemployment protection and the incentives and constraints this generated for different policy actors (cf. also Clegg, forthcoming). Furthermore, though an apparent ‘complementarity’ developed between the dualistic regulation of the unemployment risk and the use of non-standard employment arrangements, in France the former was not driven by the latter, as Palier and Thelen’s account of dualisation suggests. On the contrary, the rapid growth in ‘precarious’ forms of employment that started from the late 1980s was arguably driven by the dualistic reforms to unemployment protection institutions enacted earlier in the decade, nicely illustrating how the regulation of the risk of unemployment shapes, as much as it is shaped by, the development of employment norms.

How then can we then explain that this path of institutional development was at least partially reversed in the 2000s? Part of the story is about growth of tensions and conflicts within the organisations that represent socio-economic interests in France, especially on the employers’ side. The late 1990s saw the traditional monopoly of the large metalworking federation over social policy issues within the main French employers’ association increasingly challenged by representatives of firms with very different interests (Woll, 2006)⁵. The employers’ aggressive promotion of activation going into the renegotiation of the UI agreement in 2000/2001 reflected the growing influence of service-sector employers, and also opened the possibility for unconventional bargains – trading more aggressive activation for the expanded entitlement and looser eligibility requirements – to be struck with the unions (Clegg, 2010: 93-94).

Much of the impetus for the broader change of policy direction has come from strategic action by government, however. Given the apparently sharp break from 2008 in the developmental trends across all the dimensions analysed here, it is hard not to

⁵ These power-shifts were symbolised in the name of the confederation being changed in 1998 from the traditional *Conseil National du Patronat Français* (CNPF) to the *Mouvement des Entreprises de France* (MEDEF).

attribute particular causal significance in this regard to the election the previous year of Nicolas Sarkozy, who ran for President on a boldly proclaimed programme of ‘rupture’ with what he saw as three decades of failed policies in the socio-economic sphere. Sarkozy certainly showed considerable reformist zeal in the field of labour market policy, and a willingness to intervene more assertively than before in areas of labour market policy under the formal control of the social partners, such as UI (Freyssinet, 2010). He was also rather adroit in neutralising the influence of potential opponents of reform⁶, a process in which he was abetted by the Socialist Party, who through their internal conflicts effectively managed to neutralise themselves.

At the same time, the role of Sarkozy’s willingness to break with conventional governmental thinking in French labour market policy should not be overplayed. Reforms such as the introduction of the RSA built on and amplified earlier policy developments that had been implemented under previous governments, both conservative and socialist. The RSA was indeed devised and championed by a former civil servant who had been closer to the socialists than to the right before entering Sarkozy’s first government, and in 2007 the policy featured not only in Sarkozy’s manifesto but also that of his socialist opponent (Damon, 2009). Other proposals, such as the merger between UNEDIC and the PES, had been on the policy agenda for a long time and had been gathering momentum even before Sarkozy’s election (Barbier, 2007; Rousseau, 2008). In short, the reforms of 2008 and 2009 are the manifestation of an ideational shift on labour market policy issues that had been underway in France for some time.

This has obviously intersected with the broader evolution of international ideas and paradigms regarding social and labour market policy. Recent reforms in this field have all been preceded by reports making reference to international ‘best practice’ and European orientations. The increased emphasis on activation in French labour market policy is clearly congruent with the guidelines of the European Employment Strategy, for example (Palier and Petrescu, 2007). But at least in French social policy it is hard

⁶ Sarkozy bombarded the social partners with reform projects on many fronts, limiting their capacity to effectively organise opposition on any one. He is also widely credited with having publicised a system of fraudulent usage of social insurance and training funds, in the process discrediting especially the aforementioned federation of metalworking employers, who opposed many of his labour market reforms.

to attribute causal policy influence to the discourses and reform agendas promoted by international organisations or the EU. Rather, French policy makers appear to make use of international guidelines, recommendations and best practice to help to lever the reforms that they have already decided, independently, to pursue (cf. Erhel *et al.*, 2005).

To fully understand the paradigm shift in French labour market policy in the 2000s, it is instead necessary to appreciate how the dualisation of unemployment protection was itself a vector for ideas and policy practices that would ultimately come to destabilise this adjustment trajectory from within. The notion of activation was not simply imported into France; it already existed, in a ‘Gallicised’ form, in the insertion dimension of SA policy. As described above, this was initially a rather hollow legitimating device, introduced to build acceptance for the introduction of a (cheaper) type of social benefit that was alien to, and indeed pushed against the fundamental principles of, the work-related social insurance benefits around which the French welfare model was built; insertion was, in other words, an alibi for dualising reforms. But having been introduced for these reasons, the rhetoric of returning social benefit claimants to the labour market soon developed a transformational potential of its own. In response to negative evaluation reports insertion was first refocused and reinvigorated in SA policy, shedding many of its social aspects and increasingly emphasising labour market integration (Clegg and Palier, forthcoming). This helped popularise the notion of activation and encouraged its extension to the realm of UI, after which multiple activation policies for different groups of benefit claimants co-existed in parallel. Official appraisals soon came in turn to identify this as a source of poor outcomes (e.g. CERC, 2005), and made a case on grounds of efficiency and effectiveness for reforms that pushed ever more clearly against the pre-existing policy logic and division of institutional labour in French unemployment policy, such as the merger of UNEDIC and the PES and the reconnection of SA to general employment policy. While political leaders and other policy entrepreneurs were perhaps important in driving through change at different stages of this process, they harnessed policy repertoires that had grown relatively organically out of earlier rounds of labour market policy development.

In this way, the dualising thrust of French unemployment protection reforms in the 1980s and 1990s is being gradually, and in some respects rather seamlessly, displaced by a quite contrary orientation in the new millennium. Certainly, working-age benefit claimants in France continue to receive very different levels of economic support depending on their eligibility for UI, and in this sense there has been only limited benefit homogenisation. However, not only has UI been made more accessible to those with irregular patterns of labour market attachment in the 2000s, but working-age benefit claimants are more and more seen as a single group of labour market participants who should be provided support, tailored to their individual circumstances but on the basis of standardised assumptions, from the same set of labour market institutions irrespective of their work record or benefit status. From this perspective the earlier dualisation of French unemployment protection looks increasingly like a protracted stage in the as yet incomplete development of an integrated benefit-and-service system through which the employment-related risks that characterise post-industrial labour markets can be more adequately regulated.

Conclusion

This chapter has analysed recent transformations in the regulation of the risk of unemployment in France. It has shown that a relatively high level of formal institutional stability has masked significant variations in the primacy of particular policy logics over time. While French labour market policy in the 1990s was characterised by a widening gulf between policies for good and bad contributors and a persistent emphasis on reducing the labour supply of less productive workers, reforms in the (especially late) 2000s have instead emphasised the activation of an enlarged pool of jobseekers, partly harmonising and coordinating the conditions on which, and institutions through which, different working-age benefit claimants receive public support.

Possibly the most visible driver of this change in policy direction was the growing assertiveness of governments, which weakened the traditional influence of the social partners over norm setting and policy steering in key areas of French labour market policy. As has been argued in this chapter, however, this in turn was possible only because governments were able to harness the transformative potential of initially

marginal policy developments that had been enacted as part-and-parcel of the earlier dualistic adaptation of French labour market institutions. In this way it can be seen that the highly incremental pattern of institutional adjustment that has characterised French labour market policy has been rather ambiguous, serving the interests of particular socio-economic coalitions in the short-term but also setting free policy dynamics that would over time help to challenge these.

Understanding the dialectic relationship between the reproduction of the logics dualisation and integration in French labour market policy also helps to better understand some of its current contradictions and more clearly appreciate its uncertain future prospects. Because although the dynamic of integration appears at time of writing to have the wind in its sails, and has even resisted the first effects of the global economic crisis, it would be premature to conclude that it has fully supplanted dualising tendencies. France remains some way from having a fully integrated benefit-and-service system for the non-employed, and the uncoordinated overlap between reforms in UI and SA remains problematic (Cornilleau and Elbaum, 2009). Unlike in the Netherlands (see Hoogenboom, this volume), the social partners retained an institutional foothold in and an influence over French UI even after the reforms of the late 2000s, in which Sarkozy was indeed criticised for conceding too much to their wishes (Cahuc and Zylberberg, 2009). In the context of heightened austerity that is certainly ahead, it thus remains an open question how the ongoing conflict between the logics of integration and of dualisation in French labour market policy will play out.

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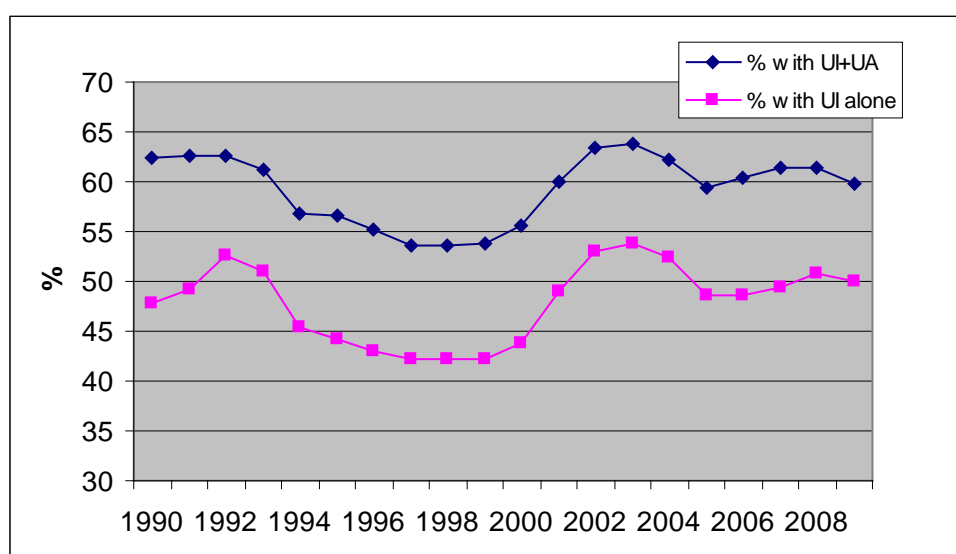
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Table 3.1 Unemployment Benefit Entitlements and Key Institutional Features of French Labour Market Policy, 1990-2010

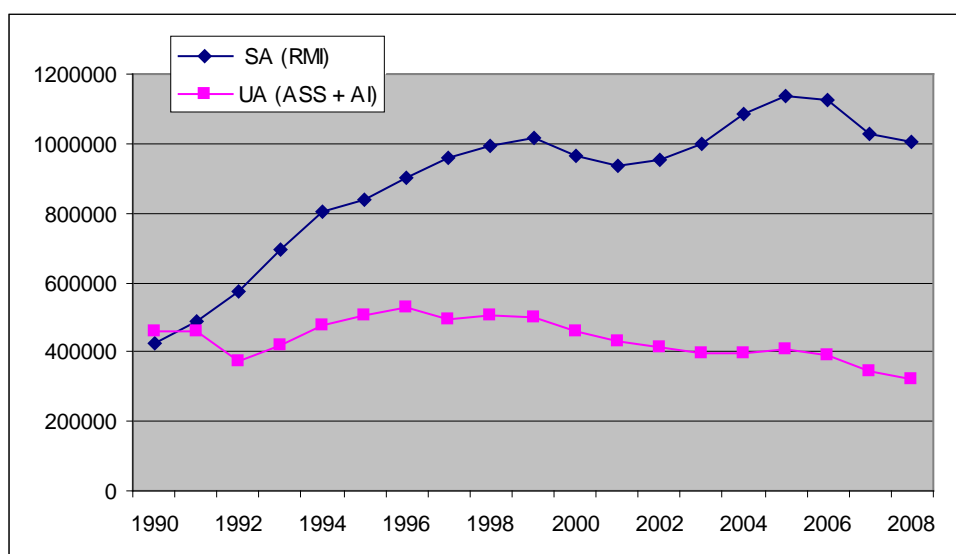
	1990		2000	
BENEFITS				
Unemployment Insurance				
Benefit Amount (% gross reference salary)	From 57.4 to 75%		From 57.4 to 75%	
Financing	Contributions		Contributions	
Governance	Social Partners		Social Partners	
Lead Delivery Agency	Assedic (+ ANPE)		Pôle Emploi	
Unemployment Assistance				
Benefit Amount (Monthly maximum in Euros / % gross minimum wage)	ASS	AI	ASS	ATA
	317 / 39	203 / 25	461 / 34	325 / 24
Financing	General taxation		General taxation	
Governance	Central state		Central state	
Lead Delivery Agency	Assedic (+ ANPE)		Pôle Emploi	
Social Assistance				
Benefit Amount (Monthly maximum (single person) in Euros / % gross minimum wage)	RMI		RSA	
	317 / 39		460 / 34	
Financing	General + Local taxation		General + Local taxation	
Governance	Central state + Local authorities		Central state + Local authorities	
Lead Administrative Agency	CAF (Family benefit fund) + Local partnerships		CAF (family benefit fund) + Pôle Emploi	
SERVICES				
Placement Services and Employment Policies for Unemployed				
Financing	General taxation		General taxation + Local taxation + Contributions	
Governance	Central state		Central state	
Lead Administrative Agency	ANPE		Pôle Emploi	

Figure 3.1 Unemployment benefit recipients as % unemployed, 1990-2010



Source: UNEDIC UNistatis. Figures for December each year, reflecting % of all jobseekers registered with PES and obliged to actively seek work (categories 1,2,3,6,7 and 8) + DRE.

Figure 3.2 Beneficiaries of SA and UA, 1980-2008



Source: DREES

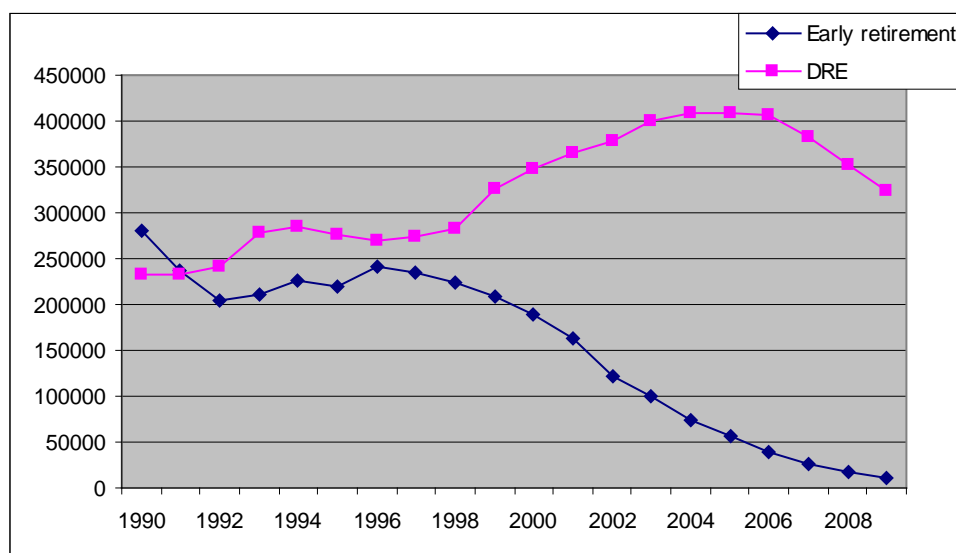
Table 3.2: Evolution of Contribution Conditions and Benefit Durations in UI

	1992 - 2001	2001 - 2002	2003 - 2005	2006 - 2008	2009 -
Minimum Contribution Requirement	4 months in last 8	4 months in last 18	6 months in last 22	6 months in last 22	4 months in last 28
Minimum Benefit Duration	4 months	4 months	7 months	7 months	4 months

Maximum Benefit Duration	30 months (over-50s = 45 months)	30 months (over-50s = 45 months)	23 months (over-50s = 36 months)	23 months (over-50s = 36 months)	24 months (over-50s = 36 months)
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Source: UNIJuridis

Figure 3.3 Annual Stocks of Early Retirement and DRE



Source: UNISTatist: Data refer to stocks in December of each year

Table 3.3: The Re-Regulation of the Risk of Unemployment in France, 1990-2010

<i>Dimension</i>	<i>Dynamic of Change</i>
Unemployment protection as a social right	Dualisation (1990-2001) Sharper distinction between UI for good contributors and SA for bad Integration (2001-2003, 2008-) Relaxation of contributory conditions in UI
Unemployment as an administrative risk category	Dualisation (1990-2008) Opening and maintenance of exit routes out of labour market Integration (2008-) End of DRE for UI/UA claimants SA claimants registered as jobseekers API integrated in SA Jobseeking requirements for all adults in households receiving SA
Jobseekers in post-industrial labour market	Dualisation (1990-2008) Activation in SA only (1990-2000) Different activation policies for SA and UI Integration (2008-) Partial merger of UI administration and PES Integration of activation policies for SA claimants in work of PES Single set of 'rights and responsibilities' for all jobseekers

Annex 3.1 Major Reforms in Provision for the Unemployed in France, 1990-2010

<i>Year</i>	<i>Reform</i>
1991	Unemployment Assistance <ul style="list-style-type: none"> Removal of eligibility for <i>Allocation d'Insertion</i> (AI) from first-time job seekers and single-women with dependent children and no employment record
1992	Unemployment Insurance <ul style="list-style-type: none"> Creation of <i>Allocation Unique Degressive</i> (AUD) Introduction of 'degressivity' mechanism, whereby after a specific period of full receipt benefits are periodically reduced over unemployment spell by between 8 and 17% depending on age Minimum contribution period increased from 3 to 4 months (in last 8) Reduction of benefit duration for all unemployed, but especially those with more limited contribution histories (6 months in last 12 months), who now receive benefit for 7 months instead of 15 to 21 (depending on age) previously
1993	Unemployment Insurance <ul style="list-style-type: none"> 'Degressivity' mechanism in AUD reinforced
1994	Public Employment Service, Job Search and Activation <ul style="list-style-type: none"> Specific effort to target subsidised employment contracts on recipients of social assistance (<i>Revenu Minimum d'Insertion</i>, RMI) to facilitate labour market reintegration
1995	Unemployment Insurance <ul style="list-style-type: none"> Creation of <i>Allocation de Remplacement pour l'Emploi</i> (ARPE), an early retirement benefit financed through unemployment insurance for those with 40 years contribution record
1997	Unemployment Insurance <ul style="list-style-type: none"> 'Degressivity' mechanism eased, with benefits now reduced every 6 months instead of 4 previously Unemployment Assistance <ul style="list-style-type: none"> Tightening of both means-test and contribution requirement for <i>Allocation Spécifique de Solidarité</i> (ASS)
1998	Unemployment Assistance <ul style="list-style-type: none"> Significant increase in amount of AI and <i>Allocation Spécifique de Solidarité</i> (ASS) Public Employment Service, Job Search and Activation <ul style="list-style-type: none"> Extension of possibility for recipients of RMI, ASS and single-parent benefit (<i>Allocation de Parent Isolé</i>, API) to temporarily receive income from benefits and work together

2001	Unemployment Insurance <ul style="list-style-type: none"> • Creation of <i>Allocation de Retour a l'emploi</i> (ARE) • Introduction of requirement for ARE recipients to sign a personalised plan for return to work (<i>plan d'aide au retour a l'emploi</i>, PARE) • Suppression of 'derogativity mechanism' • Loosening of contribution requirements for those with shortest contribution records
2002	Unemployment Insurance <ul style="list-style-type: none"> • Increase in minimum period of contribution from 4 to 6 months; reduction in maximum period of benefit receipt from 30 to 23 months (or 45 to 36 for over-50s)
2004	Social Assistance <ul style="list-style-type: none"> • Decentralisation of RMI • Refocusing of insertion on labour market integration, particularly for long-term claimants of RMI
2005	Public Employment Service, Job Search and Activation <ul style="list-style-type: none"> • Law on social cohesion seeks to encourage reinforced cooperation at local level between different labour market policy administrations
2006	Unemployment Insurance <ul style="list-style-type: none"> • Reinforcement and personalisation of activation measures for unemployment insurance beneficiaries Public Employment Service, Job Search and Activation <ul style="list-style-type: none"> • Further extension of possibility for recipients of RMI, ASS and API to temporarily receive income from benefits and work together
2008	Public Employment Service and Job Search <ul style="list-style-type: none"> • Merger of ANPE and Assedic (delivery-level institutions of UI system) to create <i>Pôle Emploi</i> • Law on the rights and responsibilities of jobseekers reforms job search and sanctions regime for all jobseekers • Receipt of benefit without job-search requirements (<i>dispense de recherche de l'emploi</i>) scrapped
2009	Unemployment Insurance <ul style="list-style-type: none"> • Loosening of contribution requirements, with minimum contribution period reduced from 6 to 4 months, in a reference period extended from 22 to 28 months • Benefit duration now based on duration of contribution, between a minimum of 4 months and a maximum of 24 (36 for over-50s) Social Assistance / Public Employment Service, Job Search and Activation <ul style="list-style-type: none"> • Replacement of RMI and API with <i>Revenu de Solidarité Active</i> (RSA), including more generous in-work variant acting as permanent subsidy (replacing previous rules concerning temporary receipt of income from benefits and work together)

	<ul style="list-style-type: none">• Reform of insertion to streamline instruments and increase work-focus
--	---